

FACTORS DETERMINE THE DEMAND FOR MICROINSURANCE AMONG LOW-INCOME HOUSEHOLDS IN GALLE DISTRICT

Jaisa, M.J.S.¹ and Buddika, H.J.R.²

Abstract

Introduction- Microinsurance is the product that concerns low-income households in the world. This study provides a summary of the research of factors determining the demand for microinsurance among low-income households in the Galle district. The purpose of this study is the analysis and identify which are the factors impacting the demand for microinsurance among low-income households.

Design/Methodology/Approach- The research is quantitative and regression analysis is used to find out the relationship between factors. The sample size is limited to the 250 low-income households in the Galle district and the random sample method used. Primary data are collected through well-designed questionnaires online and printed; the data were analyzed by using SPSS 23 software.

Findings- This research discloses that age, gender, marital status, occupation, income, expenditure, educational level, number of children in the family, knowledge about microinsurance trust on microinsurance are determining the demand for microinsurance. This study gives more information about major factors that determine the demand for microinsurance among low-income households and provides some recommendations for getting decisions about increasing the population of microinsurance in the Galle district.

Conclusion – Based on research findings it is proved that low-income householders have microinsurance for a certain level and the majority do not aware. Therefore, the insurance companies who target the low-income householders must focus on the methods of popularising the brand and promotional activities to get higher involvement of them.

Keywords: *Microinsurance, Low-Income, Galle, Demand Factors*

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1. Introduction

1.1. Background of the Study

The protection of poor people against specific threats in exchange for premium payment is proportionate to the likelihood and costs of the risks involved (Cohen & Sebstad, 2005). Microinsurance is protection for poor and low-income people. Microinsurance covers different types of risks such as illness, accidental injuries, credits, death, natural disasters (earthquake, drought) and property loss. (theft, fire) (Premaratne, 2010). These all risks are insurable and Microinsurance coverage can get individual or group basis. When comparing general and long term insurance, microinsurance premiums are very lower than other insurance premiums. Microinsurance coverage is very simple and very easy to understand.

1.2. Importance of the Study

Microinsurance plays a major role in the insurance industry. Insurance companies try to protect against risk to consumers. Insurance companies must consider the factors affecting the demand for microinsurance among low-income households. Through that insurance companies can address these factors and insurance companies can improve their facilities. This research is very important to us because insurance companies can identify what factors are a more significant effect on factors determining the demand for microinsurance. As well as insurance companies can identify what factors need to be developed for potential consumers. There are many people in the Galle district in low-income households.

Factors determining the demand for microinsurance is the most popular topic in today's insurance industry. There are limited research findings on this topic and the findings of this research will add value to the microinsurance studies.

1.3. Research Problem

Microinsurance is a new product in the insurance industry and it plays a major role in the insurance industry. In recent many poor people are willingness to buy microinsurance protection. Microinsurance protects poor people against risks to their lives, death illness, natural disasters, property losses etc. Under that insurance companies introduced new products such as death and illnesses insurance, disability insurance, health and life insurance, crop insurance, theft or fire insurance etc.

Most poor people in Galle district urban and rural areas do not have any microinsurance coverage. The problem is "Factors determine the demand of microinsurance among low-income households in Galle district" Researcher will concern about this problem by using information from poor people of Galle district.

1.4. Research Questions

- Which factors will determine the demand for microinsurance?
- How does microinsurance impact low-income households?
- How does microinsurance help low-income households due to covid-19?

1.5. Research Objectives

- To find out the factors that determine the demand for microinsurance.
- To find out how demographic factors affect on demand for microinsurance.
- To find out how to popular microinsurance among low-income households in the Galle district.
- To find out why does not microinsurance popular among low-income people in the Galle district.
- To find out the impact of microinsurance on low-income households.
- To find out how microinsurance helps poor people due to Covid-19.

1.6. Scope and Limitations

- This study was limited to only a few people in the selected area. Therefore, this study will cover only a small portion of low-income people in Sri Lanka.
- There may be some difficulties when getting information from low-income people because of the due for Covid-19.
- This study, focuses only on 10 factors that impact the demand for microinsurance but there may be many factors that affect to demand for microinsurance.

2. Literature Review

Microinsurance protects specific market segments and it is not a specific product. When comparing microinsurance and general insurance the difference between these two is based on not just the products it is based on the accessibility of poor persons to insurance. Above 90% of the world's poor population in developing countries have no access to microinsurance (Biener & Eling, 2012).

Siegel et al., (2001) mentioned that the developing world microinsurance is a policy for poor people and it is increasing economic growth and development by providing a small scale. Morduch & Jonathan (2006) state that microinsurance is reducing the amount of money spent on replacing the loss of capital and disposable income. Microinsurance gives financial stability and maintenance by removing potential shocks or losses against too low-income households.

Microinsurance products are not high priced. They provide a high-quality product at a low premium. Once providing Microinsurance services, companies face some challenges when balancing the price and cost of microinsurance services. Microinsurance price covers all claims and operating expenses too (Gitau, 2013).

Chen et al., (2013) and Eling et al., (2014) examined that age group has a positive effect on the demand for microinsurance. Bhat & Jain, (2006) noted that in microinsurance schemes factors determine the demand for health insurance. They examined that the age group of a person is a positive effect on to demand for microinsurance. The age group showed a positive and significant impact on the probability of buying

microinsurance protection. Many researchers considered age as an adoption control variable. As well as income level, age, marital status, family sizes are determining the demand for microinsurance (Ndurukia et al., 2017).

Kansra & Pathania, (2012) States that there is no relationship between the gender of policyholder and awareness about microinsurance health insurance. According to that, there is no relationship between gender and awareness about health insurance. Thornton, et al., (2010) found that gender does not affect the demand for microinsurance.

Bhat & Jain, (2006) states that marital status has a positive impact on the demand for microinsurance. And also his research found people who got married take microinsurance protection mostly and family size is effective very little on demand of microinsurance.

Bhat & Jain, (2006) stated that the educational level of the policyholder is also important for an insurance buying decision. A higher level of educational level motivates buying insurance policies more. The educational level plays a major role in buying insurance policies in developing countries. The number of children in the family and expenditure level is significantly affected by the demand for health insurance (Bhat & Jain, 2006).

Low-income people don't have enough knowledge about microinsurance. Because of that increases the negative impact on the demand for microinsurance. Awareness of microinsurance and knowledge about microinsurance main determinants of demand for microinsurance (Tan, Allen, & Overy, 2012)

Ahsan, (2010) found that trust in microinsurance positive and significant effect on the demand for microinsurance

and also he noted one of the common elements is trust in the insurer. Premiums should be suitable for the willingness to pay clients.

There is a positive relationship between the demand for microinsurance and trust in insurance. Low-income households' trust is enhanced by the take-up of an insurance product (Chummun & Bisschoff, 2014).

3. Methodology

3.1. Introduction

This chapter provides the research methodology that was used in collecting data for this study. The chapter presents the research design, conceptual framework, Hypothesis, target population estimation and sample techniques, data collection methods and procedures used. As well as sample questionnaires are also available.

3.2. Research Design

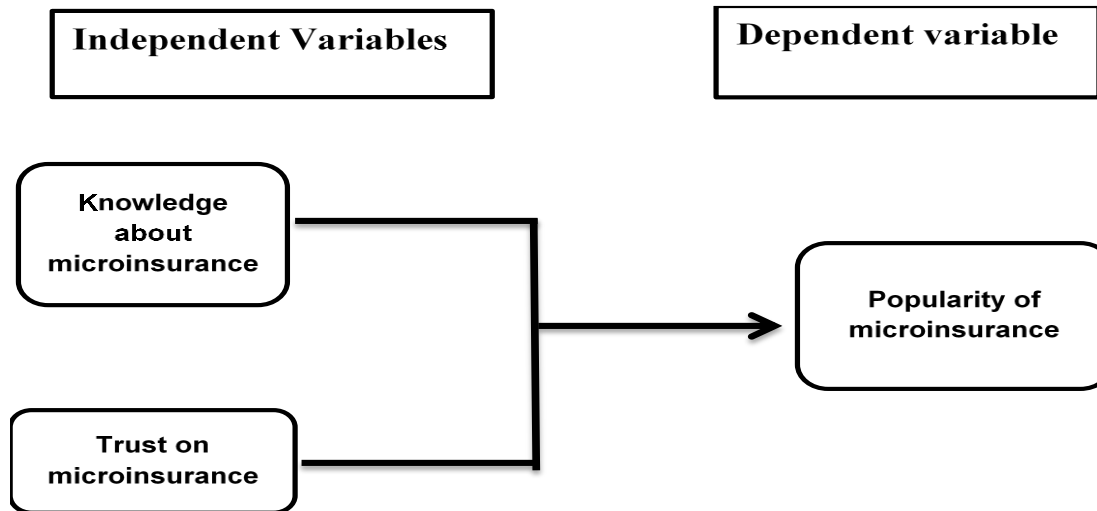
This research factual knowledge gets through observation with measurement. This will include how the researcher collects data, what will be used for collecting data and collected data. In this research, the researcher finds factors determining the demand for microinsurance among low-income households in Galle District. This research is quantitative and based on previous theories. This is a deductive research approach. In quantitative research design, we can identify the relationship between dependent and independent variables. And also this

study helps to determine the correlation between variables.

3.3. Conceptual Framework

According to Bhat & Jain, (2006) the factors that determine the popularity of microinsurance such as age group, gender, marital status, education, income and expenditure are the most important. The knowledge about microinsurance and trust in microinsurance are most impacted by the popularity of microinsurance. Ahsan (2010) & Ellis (2000) these findings are based on this research. This model comprises dependent variables and independent variables as follows.

Figure 3.1: Conceptual Framework



Source : Author Compiled

3.4. Hypotheses

H₁: There is a significant impact on the popularity of microinsurance and knowledge about microinsurance for poor people

H₂: There is a significant impact on the popularity of microinsurance and trust in microinsurance for poor people.

3.5. Population and Sample Design

3.5.1. Population

This research studies factors determining the demand for microinsurance among low-income households in the Galle district. Data will be collected in urban areas from farmers, small entrepreneurs, estate workers, fishermen, and teachers and in rural areas from SME workers (garments, constructions etc.), Threewheeler drivers, carpenters, migrants, small entrepreneurs. (Global institute for tomorrow –GIFT) farmers and tea estate sector employers act a major role in the Sri Lankan economy.

3.6. Data Analysis Methods

There are eight demographic variables and the researcher studies how these variables affected the popularity of microinsurance. The researcher tested these 10 factors on the popularity of microinsurance by using regression analysis. The results of the analysis will range from -1 to +1. If it will -1 that means the perfect negative relationship between variables. If it will 1+ that means the perfect positive relationship between two variables and if it will 0 value that means no relationship between variables. This is quantitative research because the researcher used the statistical package of SPSS to analyze data. The data is organized in tables and charts to make data interpretation easy and clearly. A regression analysis test will use to test the hypothesis according to the topic. As well as correlation, the coefficient analysis will use to analyze the primary data of the study.

4. Findings and Discussion

4.1. Correlation Analysis

Table 4.1.1: Correlation

Variable	Pearson Correlation	P Value	Decision
Knowledge about microinsurance	0.715	0.000	H0 rejected
Trust of microinsurance	0.731	0.000	H0 rejected

Source: Author Compiled

The correlation coefficient describes the degree of relationship between independent variables and dependent variables. The range of correlation coefficient is -1 to +1. If the Pearson correlation is close to 0 means, there is no relationship between independent variables and dependent variables. If the Pearson correlations are close to -1 to +1 that means, there is a relationship between two variables.

The correlation between the popularity of microinsurance and knowledge about microinsurance is 0.715. And also the Correlation between the popularity of microinsurance and trust in microinsurance is 0.731. This result implies that these independent variables are correlated with each other. The correlations of the above variables are above 0.7. These variables are not highly correlated to measure the impact of the dependent variable.

4.2. Multiple Regression Analysis

Table 4.2.1: Coefficient table

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(constant)	0.344	0.169		2.031	0.043
KM	0.355	0.054	0.328	6.524	0.000
TM	0.560	0.050	0.564	11.239	0.000

Source: Author Compiled

4.3. Knowledge About Microinsurance (KM)

$$Y = \beta_0 + \beta_1 + KM + \epsilon_i$$

Then,

Y = popularity of microinsurance

β_0 = Intercept

KM = knowledge about microinsurance

Therefore, a regression can have written as follows,

$$Y = 0.344 + 0.355KM$$

Without the impact of any other variable value of popularity of microinsurance is 0.344. Researchers can identify the impact of knowledge about microinsurance on the popularity of microinsurance.

Assume that other factors are remaining constant when knowledge about microinsurance increases one-unit popularity of microinsurance will increase by 0.355. There is a positive relationship between microinsurance and the popularity of microinsurance.

4.4. Trust on Microinsurance (TM)

$$Y = \beta_0 + \beta_1 TM + \epsilon_i$$

Then,

Y = popularity of microinsurance

β_0 = Intercept

KM = Trust in microinsurance

Therefore, a regression can have written as follows,

$$Y = 0.344 + 0.560TR$$

The relationship between the popularity of microinsurance and trust in microinsurance has a positive relationship and trust in microinsurance has the highest impact on the popularity of microinsurance than knowledge about microinsurance. Assume that other factors will remain constant trust of microinsurance increased by one popularity of microinsurance will increase by 0.560.

4.5. Regression Results and Anova Table

Table 4.5.1.: ANOVA table

Model	Sum of square	df	Mean Square	f	
Regression	125.307	2	62.653	279.974	0.000 ^b
Residual	56.169	251	0.224		
Total	181.476	253			

Source: Author Compiled

According to the ANOVA test, the significant value of the regression model is 0.000. Because of that, the regression model of this study is significant.

5. Conclusion

5.1. Introduction

The main objective layout at the start of this research has been to identify the factors that determine the demand for microinsurance among low-income households in the Galle district. In the attempt to achieve this objective data was collected through questionnaires from low-income households. This research gives a summary of the

research and provides recommendations for identifying the factors which determine the demand for microinsurance.

5.2. Conclusion

There are many people from low-income households who are lives in the Galle district who do not get any insurance policies. According to the research, only 110 people have insurance policies and the other 140 people don't have any insurance protection. The insurance companies must know the reasons for the less popularity of microinsurance and have to get action to increase the popularity of microinsurance. In this research, the researcher considers 10 factors that affect to demand for microinsurance. Such as age group, gender, marital status, occupation, monthly income, monthly expenditure, educational level, number of children in the family, knowledge about microinsurance and trust in microinsurance.

Researchers find out that age, gender, marital status, occupation, monthly income, monthly expenditure, educational level, number of children in the family have a dependent relationship with the popularity of microinsurance. Insurance companies can analyze the business with these factors. Then insurance companies can be predicting the popularity of microinsurance among low-income households in Sri Lanka.

There is a significant relationship between knowledge about microinsurance and the popularity of microinsurance. According to regression output, there is a strong relationship between knowledge about microinsurance and the popularity of microinsurance. If knowledge about microinsurance increases by 1

popularity of microinsurance will increase by 0.355. Therefore, insurance companies have to increase the knowledge about microinsurance among low-income households.

There is a significant relationship between trust in microinsurance and the popularity of microinsurance. According to regression output, there is a strong relationship between trust in microinsurance and the popularity of microinsurance. The trust in microinsurance increased by 1 popularity of microinsurance will increase by 0.560. Therefore, insurance companies have to increase the knowledge about microinsurance among low-income households.

5.3. Discussion

According to data analysis, the researcher discusses the following special points. The researcher discusses some factors determine the demand for micro insurance in the literature review and methodology. Here researcher discusses ten factors that determine the demand for micro insurance by using regression. Researcher found through the research there is a relationship considered factors of age group, gender, marital status, education level, income, expenditure and number of children with the popularity of micro insurance. According to Uddin et al., (2017) Age groups, gender, marital status, Education depend on the demand for microinsurance. If someone wants to increase the demand for microinsurance in the Galle district according to this research should get action on other factors such as age group, gender, marital state, occupation, education level, income, expenditure level, number of children in the family knowledge about microinsurance and trust on microinsurance.

Researchers found that there is an impact of knowledge about microinsurance on the popularity of microinsurance. It implies that knowledge about insurance is significant factor to lower demand for microinsurance among low-income households.

Poor people's unawareness of microinsurance and less awareness about the importance of microinsurance can be the reason for the low demand for microinsurance. And also less knowledge about claim procedures and advantages, low knowledge about premiums and special characteristics of microinsurance than other insurance are effects decrease the demand for microinsurance among low-income households. According to data analysis, most of the age group above 50 people hasn't any insurance policy than others and most of the females also do not take any insurance coverage. Married people have dual incomes and they motivate to take insurance policies than single people. And also farmers and SME workers have the highest demand for microinsurance. The people who have income above 30000 also have the highest demand for microinsurance than other income category people. People who have University or College level education also have a higher demand for microinsurance than others. The number of children in the family and monthly expenditure also highly affect the demand for microinsurance. Ellis (2000) stated that evidence to the demand for microinsurance decrease with less knowledge about insurance. They find out that knowledge about microinsurance has a positive and significant impact on the demand for microinsurance. Those factors directly focused on the demand for microinsurance among low-income people.

Ahsan (2010) found that trust in microinsurance is significantly impacted by on-demand microinsurance. They

also said that it has a positive impact on the demand for microinsurance. These studies those are provided evidence to the popularity of microinsurance decreases with less trust in insurance. The lack of trust in insurance providers, insurance policies and claim procedures is mainly affected by to decrease in demand for microinsurance among low-income households.

5.4. Recommendations

Knowledge about microinsurance highly impacted the popularity of microinsurance. But in the Galle district, poor people have a low level of knowledge about microinsurance. So insurance companies have to increase the knowledge of low-income people. Therefore, insurance companies can conduct some awareness programs about microinsurance for enhancing the knowledge about microinsurance, claim procedures, advantages, the importance of microinsurance, benefits of microinsurance and newly products of microinsurance.

There is a significant relationship between trust in microinsurance and the popularity of microinsurance. The insurance companies have to increase trust in microinsurance among low-income households.

Insurance companies should train their employees to work with their consumers kindly. Insurance companies can provide low-income people with small and fair premiums. By giving transparency claim procedures to increase the trust of low-income households about microinsurance.

In the insurance market insurance companies must consider young ages, married persons, educated people, somewhat highly income people than other people in a poor society. By conducting awareness programs for

people about the importance of microinsurance, insurance companies can increase the social image of microinsurance image.

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